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INCENTIVES TO REDUCE SCHOOL DROPOUT, AND MITIGATE RISKS OF CHILD MIGRATION IN ETHIOPIA

LITERATURE REVIEW, CASE STUDIES AND PATHWAYS TO ACTION IN DIRE DAWA (ETHIOPIA)

PART OF THE STUDY **FROM DROPOUT TO MIGRATION: EDUCATION DISENGAGEMENT AND YOUTH MIGRATORY ASPIRATIONS IN DIRE DAWA - ETHIOPIA**

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December, 2025

This study has been conducted in the framework of the project "Ten 4 All. Contribute to the achievement of SDG 10 by promoting and strengthening the social, economic, and political inclusion of migrants, returnees, and people at risk of unsafe migration in the East Hararge and Dire Dawa zones of Ethiopia" (AID 012590/07/6) which is financed by the Italian Agency for Development Cooperation (AICS).

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Table of contents

CeSPI conducted a study addressing school dropout and youth migration in Dire Dawa – Ethiopia. The study is part of a **larger project** led by Save the Children and financed by the Italian Agency for International Cooperation (AICS) – Ministry of Foreign Affairs and International Cooperation (Maeci).

The study is organized in two outputs. A separate research **document** examines the relationship between **school dropout and migration**, providing a background framework, context and data analysis on Ethiopia, evidence from fieldwork conducted in Dire Dawa (drawing on both qualitative and quantitative sources), and a set of final ***recommendations***.

To integrate the investigation, this document offers a literature review on *incentives tackling school-dropout*, with main focus on African countries, examining three *case studies to reduce school dropout* and elaborating frameworks to inform action *in Dire Dawa*.

Introduction

Human capital formation is a central pillar of development, representing both a public investment and a household commitment[1]. It is primarily built through national education systems, which provide individuals with the knowledge and skills necessary for social and economic progress. In many low income/developing countries, nevertheless, not all children, and especially girls, are in the condition to attend school[2].

In Ethiopia the formation of human capital faces serious constraints. While the country is experiencing rapid population growth, limited are the economic opportunities and limited is the access to secondary schooling and vocational training, affecting especially remote areas and marginalized communities. This mismatch creates pressure on households, especially those with many dependents and limited income. Families are often forced to make difficult choices about education. Even though primary schooling is officially free, attending school still generates costs. These include direct expenses (such as books, uniforms, and transportation) as well as indirect ones, since children who spend time in school are not available to support domestic tasks or contribute to economic activities. As a result, **the opportunity cost of education is high, particularly for poor families.**

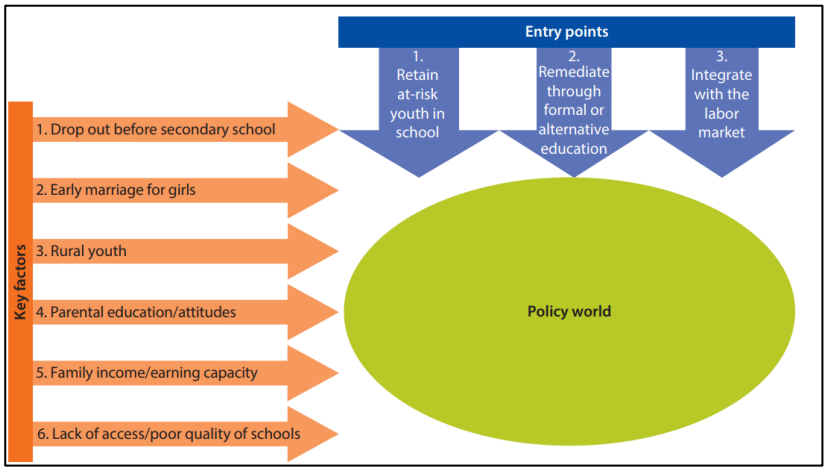
These **barriers explain the persistence of school dropout**, especially among vulnerable groups (as girls, children in rural areas, and low-income households). For many young people, dropping out of school is also linked to migration dynamics. Migration, whether internal or international, is often perceived as a more immediate path to survival and opportunity than remaining in school.

Understanding the multiple causes of school dropout, and their intersection with youth migration, is therefore essential. These dynamics reflect both the **impact of poverty on households** (children leaving school because families must reduce educational expenses or rely on their labour) and the ways in which **migration becomes a perceived solution to poverty** (children migrating to increase family income). Recognising this interplay enables policymakers and practitioners to design interventions that not only strengthen education systems, but also address the economic and social pressures faced by families. From this perspective, **education policy must be linked to broader strategies for employment, social protection, and migration management.**

As a World Bank policy analysis on *Out-of-School Youth in Sub-Saharan Africa* suggests, "policy makers must consider six key factors that characterize out-of-school youth: (a) most out of-school youth drop out before secondary school; (b) early marriage is a key detriment to female youth's

[1] World Bank. 2019.
[2] World Bank. 2018.

education; (c) residing in a rural area for all youth increase the likelihood of being out of school; (d) parental education level and (e) the number of working adults are important household factors; and (f) lack of school access and low educational quality are binding supply-side constraint.(…) Programs for out-of-school youth must address three policy areas to have an impact: retention, remediation, and integration. (…) Targeted and multisectoral programs that address the most pertinent demand- and supply-side constraints in a given country are likely to be the most effective" (2015, p. 2, 11-12).



World Bank (2015), Inoue K., di Gropello E., Taylor Y. S., and Gresham J, Out-of-School Youth in Sub-Saharan Africa. Figure 08 – Interaction of key factors and entry points, p. 12.

Extensive research has examined the effects of educational incentives targeting students and their families, teachers, school managers, administrators, and institutions (Arcia, 2014). Literature (Poisson, 2014) also highlights that **no universal model or mechanism guarantees success; rather, the effectiveness of incentives varies according to national contexts**, particularly in countries with under-resourced education systems. Success depends on systemic factors, institutional capacity, the specific characteristics of each school environment, and how well incentives align with existing strengths and challenges[3].

Some interventions have improved school attendance and retention, while others have shown stronger impacts on learning outcomes. Arcia (2014, p. 1) emphasizes that "*how well incentives improve learning depends on the **mechanism itself, the institutional and cultural framework, the ways in which performance is measured** and reported, and the **willingness of stakeholders to apply rewards and sanctions***." Among the critical elements is accountability, ensuring that results are accurately measured, reported, and assessed[4]. However, evaluating the impact of incentives often proves difficult due to limited availability of reliable data and challenges in linking results to specific phases of the education process (Gertler, 2011).

[3] McEwan's (2013) explains that, depending on the context, incentive programs (as financial incentives on students' performance) and curricular reforms can have different impact in developing countries.

[4] Arcia explains how incentives and accountability can follow a long or short way based on who will apply incentives and manage rewards and sanctions, whether politicians (long way to produce eventual changes in the education delivery, along the value chain), or parents (short way to directly affect the school behavior and improve kids learning outcomes). Moreover, "expectations about the education system's performance should be aligned with the conditions on the ground; otherwise, schools and teachers will be asked for results that they cannot give, even if they want to. Schools and teachers can respond to incentives, and can also be made accountable, if they have clear objectives and an internally coherent operational strategy with clear expectations about results" (Arcia, 2014, p 4).

In Sub-Saharan Africa, there is an **urgent need to rethink and reform education**, especially - but not only - at the secondary level[5]. This includes competency-based curriculum reforms, alternative education and training pathways, and fostering innovation in the education sector[6]. Achieving this **transformation requires significant resources, smarter use of official development assistance, and the mobilisation of alternative financing channels**, **including private sector engagement**[7].

Evidence from Marchetta and Dilly (2019) shows that **awareness-raising and financial incentives** can reduce entry barriers for low-income families, particularly in post-primary education, where perceived costs often outweigh expected returns. While many studies focus on the relationship between incentives and either school attendance or student performance, there is increasing consensus on the **importance of aligning educational incentives with local relevance and employability**.

This document explores different types of incentives that can promote enrolment and attendance (Chapter I), drawing in particular from examples across African contexts (incentives for parents and students, for teachers and innovative solutions). **It then examines three case studies to inspire possible initiatives in Dire Dawa (Chapter II).**

[5]Whatever the nature of the education subsidy is, it has been estimated that, in Sub-Saharan countries, 100 million youth could access and complete secondary education by 2050 with specific reforms and additional spending to marginalized students and districts at the lower secondary level (Mastercard Foundation, 2020).

[6] Improving the effective education quality (supporting the upgrading of quality teachers, school capacity, learning outcomes) implies aligning curriculum, pedagogy, and assessment. Additionally, relevant practical aspects can impact on school attendance, as for instance: the availability/or nearness availability of school infrastructures, the presence of gendered hygiene services, the class size, the lack of physical or security impediments, the availability of technological equipment.

[7] As for instance: impact bonds, the education outcomes fund, the International Finance Facility for Education, the Africa Education Fund (https://mastercardfdn.org/wp-content/uploads/2020/07/MCF16005-Executive-Summary-Final.pdf). To note, leveraging remittances into education could offer additional household resources for schooling.

Chapter I. Literature review on school incentives, especially in African countries

1.1 Incentives for parents and students

Incentives for **parents and students are mostly financial**, including conditional cash transfers (CCTs) and food-for-education schemes. Their aim is to reduce economic barriers to schooling. Studies from Malawi (Baird, McIntosh, and Özler, 2011) and Burkina Faso (Kazianga, de Walque, and Alderman, 2012) show they **improve enrolment and attendance**, especially among the poorest, **though impacts on learning outcomes are limited** (Alderman et al., 2010; Meng and Ryan, 2010; Filmer and Schady, 2011).

In Benin, individual and group incentives improved Grade 10 performance (Blimpo, 2013). A study in Kenya (Kremer et al., 2009) found no negative effect of incentives on girls' motivation to learn. In Cambodia, cash transfers to poor households increased attendance, but didn't boost performance, likely due to poor school quality (Barrera-Osorio and Filmer, 2013). As Arcia (2014, p.18) notes: "*presumably, education is a desirable investment but, for children, this investment has a high discount rate - that is, any perceived benefits of education may be unknown to them or be too far into the future. Intuitively, educational incentives directed to children must have a simple internal logic: the value of the incentive has to be higher than the children's discount rate. Unfortunately, this discount rate is not well understood. Hence, implementing incentives to children becomes an empirical exercise where some incentives work and some do not*".

Conditional cash transfer programmes – despite their variety of design and context, geographical target, duration, and scope - **have encouraged school attendance, but their impact on learning is mixed, requiring complementary action** (as reforms in education quality and home environments, World Bank, 2009)[8]. **Remittances can be assimilated to unconventional cash transfers** from migrants to family members when sent for specific education purposes. The inequality of remittance cash transfers stands in the disparity between families with and without migrants' support (and this can indeed reinforce migratory pressure (see *case study 2*).

The impact of *informing parents on students' school performance* (sharing their report cards, as in Liberia, Piper and Korda 2011) showed positive - although modest - effects on students learning.

Establishing school/parents' committees and *parent-controlled school grants* have shown positive effects on school performance in Uganda (Barr et al., 2012) and The Gambia (Blimpo and Evans, 2011).

In-kind initiatives include a *solar charging system piloted in off-grid schools* in Tanzania, Kenya, and DRC, offering portable batteries for home use. Although it appears promising as an incentive, data evidence of its impact remains limited[9].

A **hybrid initiative in Burkina Faso**[10]- originating from a former burkinabè migrant to Italy - mobilised private donations to create a free, high-quality school in a semi-rural area. Alongside tuition-free education and school meals, the project offers non-traditional courses (art, dance, music) with pedagogical support from Italian experts. School meals are funded by a women-led agroecological farm and community restaurant. Although successful in attracting interest from low-

[8] https://openknowledge.worldbank.org/server/api/core/bitstreams/57662378-4c03-5324-987c-39cab33bd4dc/content

[9] A solar charging system had been installed in schools in rural off-grid areas to allow kids to charge portable batteries while they attend class and take them home at the end of the school day. This is a school enrollment incentive, in exchange of energy for charging parents' cell phone and light at night. The initiative can be of interest for private donors (including crowdfunding) to support the costs of setting and running the solar system (a solar panel, shaped as a cow, for 250 kids costs in fact 24.000 dollars) (http://yolkstation.com/).

[10] https://www.watinoma.info/chi-siamo/

income families, the initiative's sustainability remains uncertain due to reliance on external funding and complex replicability.

Targeted **incentives for girls** can be particularly effective in contexts where female students face higher risks of dropout due to early marriage or domestic labour. Programmes such as *Bangladesh's* Female Secondary School Stipend Programme[11] (FSSSP), Mexico's *Oportunidades*[12], and Malawi's food-for-education schemes[13] (e.g., 15 kg of wheat provided to poor families per child enrolled in primary school) have shown promising results. These conditional transfers and scholarships have improved attendance and delayed early marriage by alleviating the economic pressures on families to withdraw girls from school.

1.2 Incentives for teachers

Teachers can be targeted by incentive schemes, which are not limited to **financial rewards** (whether individual or group-based), but may also include forms of **recognition and social prestige**, job stability, opportunities for professional and personal development, and improved school facilities.

A two-year study in Kenya (Glewwe, Ilias, and Kremer, 2010) examined a program offering in-kind rewards based on students' performance. Other studies conducted in Chile (Contreras and Rau, 2012), India (Muralidharan and Sundararaman, 2011), and Portugal (Martins, 2009) have also reported some positive effects of teacher incentives. However, they highlight **potential drawbacks**, particularly with individual incentives, for instance undermining collaboration among teachers.

Although some incentive schemes have succeeded in improving teacher attendance[14], their impact on student learning outcomes (particularly test scores) has often been limited.

Overall, the literature suggests that **financial incentives aimed at attracting higher-quality teachers may be more effective than those designed to modify teachers' behaviours**. Relevant policies could focus on attracting skilled professionals to low-performing schools or on providing scholarships to strong high school students to encourage them to enter the teaching profession (Alvarado et al., 2013).

1.3 Getting out-of-school youth back into education: second-chance and alternative education programmes

Various initiatives across African countries have aimed to provide education and training for out-of-school youth, delivering basic literacy, vocational and civic education, life skills, gender relations, and health education. These programmes (as in Sierra Leone, Ghana, and Liberia, Aryeetey, 2006) typically pursue two objectives: **reintegrating youth into formal education or facilitating their entry into the labour market**. A 2018 study on *Alternative Education and Return Pathways for Out-of-School Youth in Sub-Saharan Africa* (Nagaware et al.) identifies **three main approaches** targeting secondary-level out-of-school youth: (i) remediation through alternative education; (ii) integration into the labour market via non-formal education and/or technical and vocational education and training (TVET); and (iii) retention of at-risk youth within the formal system.

In West and Central Africa, **second-chance education initiatives** (often run by national or international NGOs) include accelerated learning, complementary education[15], bridging

[11] https://unesdoc.unesco.org/ark:/48223/pf0000146803
[12] https://www.un.org/esa/socdev/family/idf/2011/oportunidades.pdf?utm_source=chatgpt.com
[13] https://www.wfp.org/publications/2021-school-feeding-programme-factsheet-wfp-malawi-may-2021?utm_source=chatgpt.com
[14] As in Peru (Cueto et al., 2008) and India (Duflo, Hanna, and Ryan, 2012).
[15] Offering alternative curriculum provision initiatives, as in Kenya and Sierra Leone (Baxter and Bethke, 2009).

programmes[16], and equivalency qualifications. Many rely on community-run non-formal schools targeting vulnerable or out-of-school youth, providing both vocational skills and basic competencies in literacy and numeracy. Short-term training programmes are also popular, offering youth the opportunity to quickly acquire employable skills and qualifications.

In Eastern Africa, Malawi has integrated the *Complementary Basic Education* (CBE) programme into its National Education Sector Plan (NESP), promoting non-formal, community-based models to re-engage out-of-school children and youth (Jere, 2012). Re-entry programmes[17] such as *Accelerated Learning Programmes* (ALPs) have been used in South Sudan, Sierra Leone, the Democratic Republic of Congo, and Burundi, particularly to support young people in conflict-affected or remote areas (Kazis, 2016; Baxter & Bethke, 2009; Government of South Sudan, 2011). Equivalency programmes, meanwhile, offer curricula comparable to those in formal primary or secondary education, providing alternative certification pathways for dropouts.

An illustrative example is Zimbabwe's *Part-Time Continuing Education* (PTCE) pilot (2014–2016)[18], which offered non-formal education to out-of-school youth, training teachers in inclusive and non-formal methodologies and linking education with social services/referral systems.

Although evidence on the effectiveness of second-chance programmes remains limited and mixed, their design often blends basic secondary education with practical livelihood skills (World Bank, 2018; Bantwana, 2018), tailored to the needs, expectations, and circumstances of older learners[19].

1.3.1 Innovative solutions addressing drop-out youth

Innovative incentive options refer to *distance learning or from remote schooling* as experimented in Africa during Ebola crisis (in Sierra Leone and Liberia) and during Covid-19 pandemic[20]. Despite its potential, limited technology access can further exacerbate inequalities. Forms of distance learning have large potentials, but in African countries they often do not reach the poorest or most remote students.

In other African countries, a number of **pilot initiatives** illustrate promising and potentially replicable practices to promote digital education and skills development among out-of-school youth[21].

- **MWEVA** (Kenya, Uganda, Tanzania): Delivers ICT training and digital entrepreneurship skills to underserved youth in rural schools through mobile ICT teams using laptops. Training includes web design, eCommerce, and multimedia production.
- **E-Karanta** (Senegal): A hybrid e-learning platform providing both face-to-face and remote access. It targets rural dropout youth, offering vocational e-learning content by farming experts to mitigate rural exodus and migration[22].

[16] To help out-of-school youth go back to formal schooling, as the Adult Education and Literacy program in Kenya, the Community Oriented Education Program in Uganda and the Complementary Basic Education (COBET) in Tanzania.
[17] Re-entry programs enable individuals to complete general primary or secondary education, either by substituting for formal education or by offering "bridges" to return to the formal education system
[18] https://bantwana.org/project/part-time-continuing-education/
[19] Examples of programmes in the South African region are: Part Time Continuing Education (PTCE) program in Zimbabwe, Springboard Humanism (SBH) project in Botswana, Namibian College of Open Learning (NAMCOL) and the Open Day Secondary School (ODSS) in Malawi.
[20] In Kenya and in Niger, for example, teachers received training on online teaching and pedagogical training, and creative options were adopted (using community learning centers pooled the limited available resources, or using low-tech alternatives such as radio and television) (Adea, 2023) (https://www.adeanet.org/en/publications/report-case-studies-responses-covid-19-pandemic-africa-educational-systems).
[21] After the Innovating Education in Africa Expo 2018 hold in Senegal, a handbook documenting education-related innovations has been published: https://www.adeanet.org/en/system/files/resources/africa_education_innovations_handbook_2018_web.pdf
[22] https://idev-ic.sn/le-projet-e-karanta

- **Wave** (Nigeria): Offers soft skills training to secondary school students, aiming to boost employability.[23]
- **V-somo**[24] (Tanzania): An e-learning platform operated by the Vocational Educational and Training Authority (VETA), delivering vocational and entrepreneurship education via mobile phones and tablets in Swahili and English.
- **Hi5 Approach** (Tanzania): Developed by Jobortunity to align employers' labor needs with youth skills. It trains unemployed youth based on company requests, focusing on soft and professional skills[25].
- **Digito Edu-Preneurship Model** (Madagascar): Promotes digital literacy and entrepreneurship education.
- **LIND KEY School** (Ivory Coast): Offers complementary entrepreneurship education for out-of-school youth and informal sector workers[26]. It adapts complementary entrepreneurial content and pedagogy to existing curricula using physical, digital, audio-visual, and media tools, with trained teachers delivering the entrepreneurship content
- **Eneza Education** (Ivory Coast, Ghana, Kenya): Provides supplementary education[27] through SMS, mobile apps, and online platforms. Subscriptions are charged via mobile airtime (Safaricom, MTN, Orange). A similar mobile learning app in Nigeria is *Reducate*[28].
- **Making Ghanaian Girls Great (MGCubed)** [29] (Ghana): Launched by the Varkey Foundation, this program uses satellite-enabled, solar-powered classrooms to deliver interactive lessons from Accra to 72 remote schools. The use of solar energy ensures consistent access to education without dependency on grid electricity.
- **Edo-BEST (Basic Education Sector Transformation)** (Nigeria): Launched in Edo State[30] in 2018 by SUBEB in partnership with Bridge, this pilot trained 1.500 teachers and reached 40.000 students in rural and peri-urban areas. The program has since expanded to Kenya, Liberia, Nigeria, and Uganda, integrating digital content and pedagogical innovation into public education.

These innovative models demonstrate how tailored digital and hybrid solutions, if designed with attention to equity and inclusion, can contribute on reaching out-of-school youth, improving access to education and re/integration in the labor market. Challenges due to digital uneven accessibility – especially in rural and remote areas, can limit the potential of these models.

Elements from the Ethiopian context: internet accessibility

Ethiopia presents low digital readiness. According to the ITU Digital Readiness Index, it ranked 129th out of 134 countries in 2021. Only 15% of households had internet access, and just 5% owned a computer (Adea, 2022[31]). During the COVID-19 pandemic, the Ministry of Education (MoE) proposed multiple approaches, acknowledging widespread lack of electricity, connectivity, internet access, and digital devices. Initially, the strategy focused on broadcasting radio and TV lessons based on digitized content

[23] https://www.waveacademies.org/
[24] https://www.magilatech.com/education/
[25] https://www.jobortunity.org/hi5-for-youth/
[26] https://www.facebook.com/lindkeyschool/?paipv=0&eav=Afbcp-k3aORTYLzBReX9Th2Km_ob00CoTTMW8sk2lNKTyB6aWbc0CoaTfhm0vAnemfg&_rdr
[27] https://enezaeducation.com/
[28] https://www.roducate.com/
[29] https://hundred.org/en/innovations/making-ghanaian-girls-great-mgcubed
[30] https://edobest.org.ng/
[31] https://www.adeanet.org/sites/default/files/publications/ethiopia_ict4e_country_profile_report.pdf

for secondary education. Later, it aimed to improve connectivity and develop digital content[32]. However, these efforts often failed to reach rural and marginalized communities.

1.4 Recommendations to scaling the impacts of incentives

Evidence from various contexts shows that school incentive programmes, whether directed at students, parents, or teachers, can positively influence enrolment, attendance, and, to a lesser extent, learning outcomes. However, their effectiveness is highly **context-dependent** and often relies on **integration within broader education reforms and strong accountability mechanisms**. Available evidence is in fact often case-specific and produces mixed or even contradictory findings (Allan and Fryer, 2011; Arcia, 2014). Long-term impact of incentive schemes requires **complementary interventions that address systemic weaknesses, support educators, and align with local socio-economic realities**. As such, incentive strategies must be carefully designed, transparently implemented, and continuously evaluated to ensure equity, sustainability, and real improvements in educational outcomes.

Drown from the literature review, **several important lessons and recommendations can inspire possible initiatives – as in the case of Dire Dawa - Ethiopia:**

- Some studies[33] (though not all) suggest that the *impact of financial incentives may persist* even after the incentives have been withdrawn.
- Despite limited data, evidence indicates that larger impacts are not necessarily correlated with the size or monetary value of the incentive provided.
- Several analyses emphasize that, while financial incentives can improve school enrolment, "*the interplay between education and poverty shows that the income needs of a family may be an incentive in itself*, pushing for short-term income needs over the long-term financial benefits of education" (Arcia, 2014, p. 20).
- *Incentive and accountability measures* tend to be more effective in enhancing learning outcomes when embedded within broader education reform programmes.
- Holding teachers and schools accountable for learning outcomes requires the system to provide them with robust and *continuous support*.
- Programmes that *simultaneously involve* teachers, students, and parents appear to produce stronger results, according to experiences primarily documented in Western countries[34].
- *Successful incentive schemes require shared information*, dialogue, and consensus among the various stakeholders involved[35], taking into account their diverse expectations, interests, and levels of commitment.
- The design and implementation of any incentive programme must be grounded in *accurate baselines, reliable data, and sustainable measurement tools*.
- While ICT can support expanded access to education, its effectiveness depends on a country's achievement of *minimum thresholds in infrastructure and education system readiness*. Without this, technology may inadvertently reinforce existing inequalities.

[32] Two initiatives of interest are: the Ethiopian Education and Research Network (EthERNet) to connect public universities and educational institutions. And SchoolNet for basic education, launched by the Ethiopian Government for its e-government programmes to promote the use of ICT for teaching and learning in secondary schools (to be connected in a network), encompassing teacher training, local language instruction, monitoring and assessment of learner performance.
[33] As Kremer (2009).
[34] As Allan (2011) p. 16.
[35] Including: community leaders, parent associations, politicians, the Ministry of Education, the Ministry of Economy and Finance, the Ministry of Labour, funding agencies and donors, NGOs, international organizations, diaspora groups etc.

Chapter II. Three case studies and frameworks to inform action on dropout and migration in Dire Dawa

This chapter presents three practical and context-specific frameworks aimed at reducing school dropout and consequently limiting early migration in Dire Dawa, Ethiopia. Drawing on an extensive literature review, background data, and integrating fieldwork insights, it explores innovative approaches centered on financial inclusion, diaspora engagement, and youth empowerment.

Each case study examines a **distinct mechanism** (financial inclusion, remittances, and youth employability) **to reduce school dropout** while presenting examples of existing initiatives and fieldwork insights from Dire Dawa. A **SWOT** (Strengths, Weaknesses, Opportunities, Threats) analysis is used to help understand implementation feasibility. A **framework for action** concludes each section, outlining steps and identifying key actors to be engaged in the implementation. **Evidence** is drawn from interviews (51) with school dropouts, parents, local stakeholders in Dire Dawa. While qualitative in nature, the evidence offers useful exploratory insights. However, findings should be interpreted in light of sample size and local specificity.

Two case studies build on CeSPI's expertise in migration studies (particularly in the areas of remittances and financial inclusion) and apply this knowledge to the field of school incentives and efforts to combat school dropout. The third case study addresses a challenge identified early in the research process: the mismatch between school education and the skills required by the labour market, a dynamic observed in Ethiopia and many other contexts.

Together, the three case studies provide **complementary perspectives** on how targeted school incentive mechanisms can help reduce dropout rates and limit early migration in Dire Dawa. They demonstrate that effective incentives go beyond direct financial support and can also be social, aspirational, and rooted in opportunity structures.

The **first case study** examines **financial inclusion for education,** analysing emerging financial products and innovative solutions designed to improve school access for children from low-income households. It highlights how financial inclusion, particularly through accessible savings mechanisms and credit instruments, can empower families to invest in schooling, especially when embedded within broader financial inclusion measures.

The **second case study focuses on diaspora engagement,** with a particular emphasis on **remittance**-linked education mechanisms. It explores the untapped potential of these instruments to channel resources and support (knowledge transfer) from the diaspora into the education of children in the country of origin.

The **third case study** broadens the lens by addressing **youth empowerment and employability** as long-term strategies to reduce school dropout and deter early migration. It highlights how the development of life skills and employment pathways can serve as strong non-financial incentives that encourage students to remain in school and delay high-risk migration decisions.

These case studies are grounded in the idea that school incentives are most effective when integrated into broader systems of opportunity, support, and community engagement. Collectively, they offer preliminary frameworks that can be locally adapted and implemented to tackle youth inclusion, school dropout, and early migration in Dire Dawa. Financial products, diaspora engagement, and youth empowerment each represent critical entry points for action. Their success, however, relies on sustained collaboration among public institutions, civil society, the private sector, and international partners. This report is intended for policymakers, development practitioners, and local stakeholders seeking strategies to combat school dropout and prevent early migration.

2.1 Case study 1: developing financial tools to help families face school-related costs

***Context & Rationale*: the importance of financial inclusion**

This case study examines financial products and services designed to alleviate the education-related financial burdens faced by rural, low-income households. It directly reflects the fieldwork findings in Dire Dawa, in which dropout students, their parents, and local stakeholders emphasized the need for solutions to help families manage school-related expenses, identified as one of the key contributing factors to school dropout.

2.1.1 Households' financial constraints

In many African countries families often face irregular incomes and frequent economic shocks, making it difficult to meet essential needs, including children's education. This challenge becomes especially critical during the transition from primary[36] to secondary school, when costs rise significantly for low-income households[37]. The lack of public or household resources to cover children's education costs is one of the key obstacles leading to school dropout. At the same time, families often have limited long-term saving capacity due to competing short-term financial priorities.

In Sub-Saharan Africa, households contribute approximately one-fourth of all education-related expenditures[38]. According to the 2018–2019 Socioeconomic Survey[39], savings among Ethiopian households are predominantly reserved for emergencies (72.6%), with only 4.1% allocated to education. Other data (2010) indicate that Ethiopians are interested in saving products (79%) as well as in education/university loans (69%).

Evidence exists (Mossie, 2022; Berhanu, 2020) of large unmet demand for banking, credit, payments, and savings services in Ethiopia – due to existing obstacles and barriers among to underserved populations (especially in rural areas). Ethiopia is in fact pursuing financial-inclusion policies.

S5AQ10: 10. **What is the main reason that *you* saved money?** Data file: sect5a_hh_w4.dta Overview Valid: 4634 Invalid: 24869 Minimum: 1 Maximum: 8 Type: Discrete Decimal: 0 Width: 1 Range: 1 - 8 Format: Numeric

Category	Cases	
1. EMERGENCIES	3365	72.6%
2. HEALTH OR MEDICAL EXPENSES	182	3.9%
3. TO START OR GROW A BUSINESS	245	5.3%
4. OLD AGE	38	0.8%
5. EDUCATION	192	4.1%
6. FOR MY CHILDREN'S FUTURE	139	3%
7. ASSET BUILDING	455	9.8%
8. OTHER(SPECIFY)	18	0.4%
	24869	

What is the interest in financial products in Ethiopia?

Savings account	79%
Business loans	71%
University education loans	69%
Home mortgage	60%
Health or life insurance	56%

[36] In many sub-Sharan countries tuition fees to primary education were abolished, while a growing tendency to enroll students to private schools is recorded.
[37] To pay for example for the school tuition, the school supplies, books, uniforms, or transportation.
[38] As highlighted by Peano (2011).
[39] The survey is a collaborative project between the Central Statistics Agency of Ethiopia (CSA) and the World Bank Living Standards Measurement Study-Integrated Surveys on Agriculture (LSMS-ISA) team. A total of 6770 households from 535 enumeration areas were interviewed. Respondents are 53,2% rural (SAQ14: Rural/Urban), 11,8% from Oromia Region (where East Harage is) (SAQ01: Region code), 51,5% being women.

Source: Ethiopia - Socioeconomic Survey 2018-2019, Country Ethiopia, Filename ETH_2018_ESS_v03_M_CSV.zip, Producer(s) Central Statistics Agency of Ethiopia, accessed on 14/09/23 (https://microdata.worldbank.org/index.php/catalog/3823/get-microdata)	World Bank, Knomad, 2010 Survey: Remittances To Ethiopia. "*Very interested" answers only*

2.1.2 Financial inclusion to support school participation

Field data collected in Dire Dawa confirm that economic hardship significantly affects household wellbeing, with both direct and indirect consequences for children's school attendance and dropout[40]. To **ensure equitable access, education must be affordable for vulnerable families facing financial barriers to full school participation**[41]. Evidence suggests that enhanced financial inclusion enables households to better manage both general and education-related expenses. For example, research from Bangladesh found that participation in microcredit schemes significantly increased girls' school enrolment[42]. Increasing public funding for education is essential and can be complemented by external partners and private financing mechanisms[43] with innovative opportunities for education investment

A range of financial products already exist to address education expenses[44]. These include:

- **Student- and family-oriented products**: savings accounts, microloans for school-related costs (especially at secondary level or for private schooling), and education insurance to cover tuition fees in the event of a parent's disability, illness, or death.
- **School-based financing**: loans to support private school establishment and management.
- **Teacher support**: salary-linked loans and incentive-based financing.

Ethiopia has a large potential demand for microcredit, and microfinance is publicly promoted as a key poverty reduction tool[45] for low-income households to manage risk, build assets, develop enterprises, improve income, and boost productivity (Ayenew et al., 2015). Financial inclusion is a growing political priority in Ethiopia. The **National Strategy for Financial Inclusion (2020–2025)** aims to expand access to formal financial services. Additionally, a roadmap was adopted in 2025 - National Agri-Finance Implementation Roadmap 2025–2030 (NAFIR)[46] - which aims to deepen financial services in agriculture and rural areas, expanding access to credit, savings, and other finance products. While comprehensive national data remain limited, and despite financial institutions remain disproportionately concentrated in urban areas, a report by ICARDA (2020) indicated that only 22% of Ethiopian adults had access to formal financial institutions, with many relying instead on informal

[40] https://www.ncbi.nlm.nih.gov/pmc/articles/PMC7041497/

[41] The study in India showed that micro-finance access had impacts on improved child nutrition https://www.worldbank.org/en/topic/education/brief/education-finance-using-money-effectively-is-critical-to-improving-education

[42] "Results suggest policies that focus solely on increasing microcredit participation, without increasing the amount of microcredit incomes accessed by households, may be less effective at improving child education outcomes" (https://www.researchgate.net/publication/338176722_The_Impact_of_Microcredit_Loans_on_School_Enrolment_in_Bangladesh).

[43] Although data on private contributions are scarce, and statistical indicators often focus on the public financing of education. Unesco (2011, *Financing Education in Sub-Saharan Africa - Meeting the Challenges of Expansion, Equity and Quality,* p. 90) reports that in Sub-Saharan Africa "private sector contributions also vary by level of education. The proportion of household contributions increases from 29% at primary to 46% at the lower secondary level and to 41% at the upper secondary level. However, this proportion decreases to 22% in tertiary education".

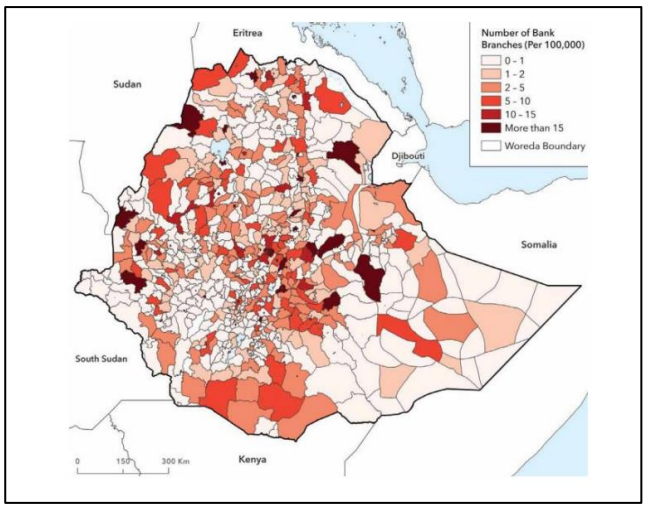
[44] In addition, mobile money services (as those offered by M-Pesa or Ethiotelecom/Telebirr) allow parents to facilitate the management of education-related expenses.

[45] The proclamation nr. 40/1996 issued the requirements for Ethiopian MFIs (34 MFIs licensed in 2018).

[46] https://nbe.gov.et/wp-content/uploads/2025/07/NAFIR.pdf?utm_source=.com

mechanisms[47]. Several structural challenges limit access to finance, particularly in rural areas. These include low financial inclusion and literacy (especially among women), poor digital infrastructure, and limited internet penetration.

Number of bank branches per Woreda (Normalized per 100,000 People)



Source: World Bank, Technical Note, Leveraging Geospatial Technology for Financial Inclusion, Financial Inclusion Support Framework, 2020

An example of commitment saving accounts in Kenya

Between 2014 and 2017 in Kenya, Innovations for Poverty Action (IPA) partnered with a telecom operator to evaluate how savings accounts could support children's education[48]. The study tested two types of mobile-phone-based accounts: a **commitment savings account**[49], designed for long-term goals and with limited withdrawal options, and a **regular savings account**.

The test involved **4.000 parents** with children in their final year of primary school. Through their mobile phones, participants could open a commitment savings account offering an interest rate (valid until the client's self-declared goal date) and automated SMS reminders to encourage consistent saving. The main objective was to assess whether commitment savings accounts were more effective than regular mobile savings or traditional methods in helping parents save enough to ensure their children's transition to high school.

The experiment showed that both saving products had positive impacts in the saving capacity and a reduction in the dis-saving habit. **However, the experiment couldn't provide evidence that the increase in school enrollment was determined by the increased funds saved.** Nonetheless, the test highlighted the potential of accessible, well-designed financial products in helping and motivating parents meet education-related savings goals. It also suggests that such tools could be extended to diaspora communities, offering them tailored channels to support children's education through remittances.

47 https://mel.cgiar.org/reporting/download/hash/1afc31fd507df54af230b0c417dc30bd#:~:text=Ethiopian%20microfinance%20is%20no%20longer,and%20now%20to%20financial%20inclusion.

48 https://www.povertyactionlab.org/evaluation/high-hopes-saving-high-school-mobile-money-lock-box-kenya

49 Specifically: "High Hopes" Lock-Savings Account.

SWOT analysis: "financial and digital instruments to address education purposes, reinforcing financial inclusion and resilience and possibly limiting school-dropout"

STRENGHTS	**WEAKNESS**
• Similar products can provide opportunities for large segments of individuals without financial means, improving their financial resilience • Similar products can provide opportunities for large segments of individuals without financial means to access education, improving their skills/competences • Digital financial access is largely considered for its potential for unbanked and rural populations	• Digital and financial literacy and presence of financial infrastructure is low among rural communities • Internet penetration and digital architecture outreach in rural areas are low • Payment system infrastructure (including digital payment system) in rural areas is still limited and challenging and cash payments/informal remittances tend to be still prevalent • Quality of education needs to improve its positive return as a human capital investment
OPPORTUNITIES	**THREATHS**
• Cross-selling of micro-finance loans and saving products/services including education, health, entrepreneurship as well as micro-insurance products for agricuture • Financial products supporting education can help to increase human capital and workforce productivity (education as driver of economic growth)	• Economic and political instability in Ethiopia may limit the availability of financial institutions/financial products for education in some areas • Limited digital financial infrastructure in rural areas and low levels of financial literacy may impede uptake.

2.1.3 Evidence from fieldwork data in Dire Dawa: access to financial services and barriers to financial inclusion

Among the interviewed parents of dropout students (tot. 19 persons) in Dire Dawa, **7 respondents (37%) reported having access to a microfinance institution**, and only **5 currently hold an account** with either a local bank or microfinance institution (3 rural and 2 urban respondents). All rural participants stated that **no financial institutions are located near their kebeles**, confirming that **the geographic concentration of banking services in urban Dire Dawa** represents a significant barrier to financial inclusion for rural households.

When in need of monetary resources, **respondents predominantly rely on informal support networks**, such as family members, neighbours, or community ties.

Only **one respondent** had ever obtained a loan from a formal financial institution. The main barriers to accessing credit or financial services cited by participants included:

- **Severe household poverty** (e.g., "*I am too poor", "I have no money", "I feel frustrated, I cannot repay the debt"*),
- **Lack of financial literacy** or insufficient access to reliable information,
- **Absence of collateral** or guarantees required for loan eligibility (reported by 7 respondents).

Notably, none of the interviewees had ever requested **a loan to cover school-related expenses**, nor had they considered it a feasible option.

Despite this, almost all interviewees expressed **interest in obtaining a loan to improve their income-generating activities**, and more than half (11) **indicated potential interest in financial support for educational expenses**. However, analysis suggests that **financial products aimed solely at covering school costs may not sufficiently address the broader economic needs** of these households.

To be effective, any school-related financial instrument (e.g., education loans or dedicated savings accounts) should be **integrated into a broader package** that addresses other livelihood priorities, such as food security, emergency coping mechanisms, and support for small family businesses. Given that **education is often deprioritized in favour of more immediate survival needs**, financial inclusion strategies shall adopt a **multidimensional approach**. **Only by linking education-related financial tools to other interconnected needs can such strategies be relevant and effective for vulnerable populations.**

2.1.4 A framework for action

The evidence from Dire Dawa highlights the early emergence of financial services that consider educational needs. Nonetheless, these initiatives remain nascent and more urban-centered. The scarcity of microfinance services in rural kebeles, combined with low levels of financial/digital literacy and limited mobile connectivity, hampers the potential of these tools.

An effective framework for action should focus on expanding **multi-purpose financial products** tailored to low-income families, particularly in rural areas. These products, whether savings accounts, education-linked microloans, or bundled digital services, must be **designed to address not only school-related expenses but also food security, health/climate shocks, and livelihood support.** Donor engagement and public-private partnerships is critical to reinforce existing actors, expand outreach to underserved communities, and pilot **education-smart financial inclusion strategies within broader household economic resilience frameworks**.

In order to design and implement financial products and services that may ultimately impact on school enrolment, key stakeholders and players were identified during the fieldwork in Ethiopia offering promising entry points for collaboration and upscaling.

- By partnering with local financial institutions, **Opportunity EduFinance**[50] supports access to capital for parents and school owners. Different tools are employed as technical assistance and training to microfinance institutions to design, develop and launch products as school improvement loans, school fee loans, school leadership academy and assessment tools. EduFinance has started its activities in Ethiopia demonstrating interest and willingness to be involved in Dire Dawa.
- A collaboration between a MicroFinance Institution based in Dire Dawa (**Dire Microfinance**) and a digital financial service provider (**Kacha**) has been launched (June 2024) to offer new digital savings and loan products[51] (at the moment directed to address entrepreneurs and employees' needs, but open to new opportunities and application of digital financial inclusion in rural areas).
- **Lion Bank International** launched the Alegnta School Fee Loan that is a digital/mobile loan product designed for reaching and financing the different players in the education system (school owners, parents, students and teachers). It is a digital product that gives access to a loan for emergencies to support the education sector.

[50] https://edufinance.org/what-we-do/
[51] https://www.stockmarket.et/kacha-digital-financial-services-and-dire-microfinance-partnered-to-launch-digital-saving-and-lending/

- The state-owned telecom operator **Ethio Telecom** has launched a micro-credit and saving scheme through its Telebirr mobile money platform, in partnership with Dashen Bank and Commercial Bank of Ethiopia. Small loans (that can apply to any family need including education costs) will be available according to credit scores calculated based on six-month Telebirr transactions and telecom usage[52]. Ethio telecom also signed an agreement with Oromia Education Bureau in 2024 to implement Smart Classroom solutions in selected schools and supported the Ministry of Education in 2022 contributing with equipment (computers), school internet access and e-learning website.

[52] https://shega.co/post/list-of-loan-apps-in-ethiopia-2024/

Annex tables: fieldwork interview respondents' analysis

When in need, who borrows you the money		
Parents	Frequency	%
Family members in the area	7	36.84
Community members/neighbors/friends	7	36.84
Family members abroad	5	26.32
Church/religious leaders	3	15.79
None (to ask to)	3	15.79
Family members elsewhere the Ethiopia	1	5.26
Other (shop)	1	5.26
Total	13	

Interest for a loan		
Parents	Frequency	%
Yes, to improve your economic activities	18	94.74
Yes, for health reasons	2	10.53
No interest	1	5.26
Interest for loan to cover school expenses:		
Yes	11	57.89
No	6	31.58
Maybe	2	10.53
Total	19	

Interest for a saving account for school related expenses		
Parents	Frequency	%
Only if the money could be used also for other emergencies	13	68.42
No	9	47.38
To secure enrolment at secondary school	4	21.05
Only with a good interest rate	2	10.53
To face costs at primary school	2	10.53
Other (only if money can cover food for children)	2	10.53
Total	16	

2.2 Case study 2: leveraging remittances to promote education

***Context and rationale*: the importance of remittances for education**

2.2.1 Remittances and education

The relationship between remittances and education is well established, with most data confirming that migrants' transfers to family members are frequently used for essential needs such as food, healthcare, and education.

Remittances can be strategically leveraged to enhance educational access and outcomes, particularly in low-income and migration-affected communities. When linked to specific educational objectives, remittance flows can support the formalization of financial services and contribute to broader development goals, including poverty reduction, financial inclusion, and improved school retention. **These mechanisms help ensure that remittances are invested in ways that promote human capital development.**

Among the most promising approaches are **labelled remittances**, where senders designate a portion of the funds for school-related expenses, and **education-linked savings products**, which incentivize families through matching contributions or targeted interest rates. Other measures include **collective remittance platforms**, through which groups of migrants' pool resources to fund scholarships or invest in local school infrastructure. These strategies not only enable migrant families to better plan for their children's education, but also strengthen the connections between diaspora communities, financial service providers, and educational institutions.

However, research highlights that migrant remittances can have both **positive and negative effects** on education and households' dynamics[53]. Some studies find that international remittances improve educational outcomes and reduce child labor, particularly among disadvantaged groups[54]. At the same time, they may also raise migration aspirations among young recipients, rather than strengthening their motivation to stay in school. McKenzie and Rapoport (2011) found that Mexican migrants in the U.S. invest less in their children's education when expected returns to schooling are low in the host country.

In rural Morocco (2015)[55] a study found that remittances increased boys' likelihood of completing high school[56] by 29%. However, due to gendered parental preferences, this use of remittances often reinforces disparities in girls' education.

In contrast, some studies in Pakistan[57] showed that remittances positively affect girls' school enrolment – while insignificant for boys; other studies note persistent gender gaps in school access, as in rural Khyber Pakhtunkhwa (Hisaya Oda, 2023). Qualitative evidence (Ferro, 2019) highlighted that remittances sent by Burkinabè women in Italy often prioritize girls' education, consistent with similar findings from Thailand (Curran, 2003) on female migrants' remitting behaviour.

Despite evidence of migrants' growing interest in directing remittances toward education, few financial products are tailored to support this objective[58]. The link between remittances and

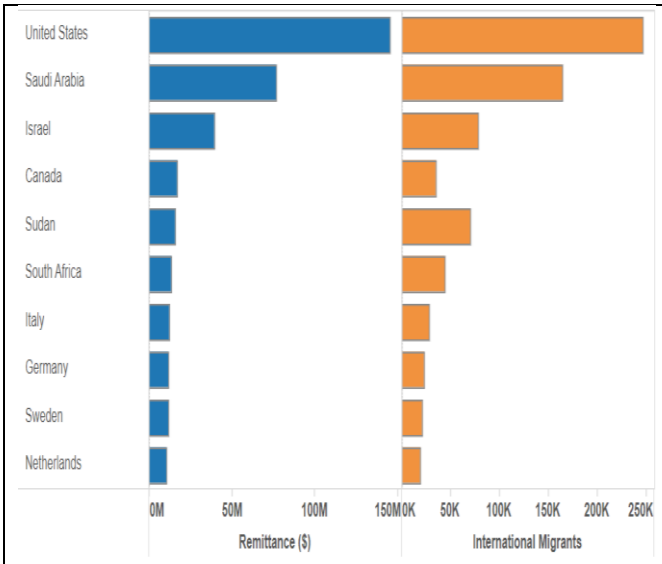
[53] For instance, in the case of Pakistan, significant positive impact of remittances on school enrollment outweighs the negative effect of parental absence as a consequence of migration in the study from Arif and Chaudhry (2015), while Nasir et al (2011) gets to the opposite conclusion.
[54] As in Pakistan (Mansuri G., 2006); in the Philippines (Yang D., 2008) or in Latin America (Acosta et al. 2007).
[55] A survey in 2009 took place in Souss-Massa-Draa region involving 598 households and more than 2.700 children (Jamal Bouoiyour, 2015).
[56] Similar findings are reported in a study in Jordan (Mansour, Wael, et al. 2023.)
[57] Khan and Khan (2016) and Arif (2004) .
[58] https://assets.publishing.service.gov.uk/media/57a08b8140f0b64974000bc8/Mbiti-Yang-2009-Working-Paper.pdf

education remains promising, but requires further transnational research, product innovation, and diaspora engagement.

2.2.2 Migrant remittances in Ethiopia

The annual remittance inflows (2023) to Ethiopia were US$ 591 million (US$ 432 million in 2021)[59]. Almost 1.2 million Ethiopians live abroad, primarily in the USA, Saudi Arabia, Israel, Sudan, and South Africa[60]. Most formal remittances come from outside Africa (only 9% of formal inflows were received from within the continent[61]), being received mostly by banks and MTOs (Money transfer operators); less than 1% remittances were channeled via mobile phone[62].

Main remittance inflows received by Ethiopia from different countries (blue) /migrants from Ethiopia in the different countries (orange)



Country	Remittances sent to Ethiopia (current USD, 2021 – million))	Number of Ethiopian Migrants (Mid-2020)
United States	145,0	246,000
Saudi Arabia	76,5	164,000
Israel	39,4	78,000
Canada	17,0	35,000
Sudan	16,2	70,000
South Africa	13,4	44,000
Italy	12,4	28,000
Germany	11,9	23,000
Sweden	11,8	21,000
The Netherlands	10,4	19,000

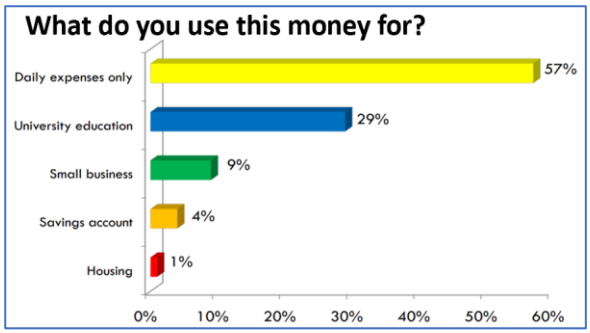
Source : https://www.migrationpolicy.org/programs/data-hub/charts/bilateral-remittance-flows?width=1000&height=850&iframe=true (accessed 30/11/23)

Informal networks remain the most prominent way for Ethiopians to send money home, particularly to rural households; the IOM estimates that 78% of total remittances are sent through informal channels[63]. Until today, many players as postal service providers, credit unions, and microfinance institutions (MFIs) had a limited contribution as remittance service providers (RSP)[64]. As explained

[59] KNOMAD/World Bank Bilateral Remittance Matrix 2021, December 2022, https://www.knomad.org/data/remittances accessed 30/11/23)
[60] UNDESA, International Migrant Stock, 2020
[61] CENFRI, Remittances in Ethiopia, Volume 4, 2018
[62] UNCDF, 2022, p. 23. https://migrantmoney.uncdf.org/wp-content/uploads/2023/02/Ethiopia-Country-Assessment.pdf
[63] IOM, Scaling up formal remittances to Ethiopia, 2018
[64] Including a network of 40 MFIs and 21 Savings and Credit Co-Operative Societies (UNCDF, 2022).

by UNCDF (2022, p. 46): "to attract foreign capital, the Government has classified Ethiopians abroad as domestic investors, allowing them to open local bank accounts abroad and remit directly to Ethiopia, as well as providing a bespoke banking service for Ethiopian migrants. (The recent) policy makes it possible to redirect Ethiopian migrants' remittances to formal channels and encourages RSPs to innovate on product offerings to migrants".

An outdated survey (2010) outlines that remittances in Ethiopia were mainly used for daily expense (57%), but also for education purposes (29%).



Source: World Bank, Knomad, 2010 Survey: Remittances To Ethiopia

2.2.3 Channeling migrant remittances into education

Based on the analysis of literature and on expert interviews, school education can benefit from both ***individual and collective migrant remittances***[65]. Individual remittances typically support specific beneficiaries in the country of origin (covering direct and indirect education costs such as tuition, books, and uniforms). Collective remittances often target entire communities, contributing to the construction of schools or health centers, and the mobilization of skills and expertise.

Examples of collective remittances

- ***Mexico "3x1 Program for Migrants"*** originated as a matching fund scheme[66] to multiply collective remittances from migrant Home Town Associations (HTAs) in the USA through equal contributions from Mexico's federal, state and municipal governments. The initiative encouraged migrant groups to improve living conditions in their communities of origin. Until 2013 Mexican migrants contributed an average of $15 million annually (Hazán 2013), with education representing a key area of diaspora-supported development.
- ***Jamaican education response during Covid-19*** pandemic shifted from in-person learning to remote education via live broadcasts and "educational influencers." However, the absence of sufficient computers and internet access left nearly half a million students disconnected, despite government efforts to implement an island-wide Wi-Fi initiative. In response, diaspora organizations played a crucial role[67]. Notably, the *Chicago Concerned Jamaicans* (CCJ), a nonprofit group supporting education for Jamaican children, provided laptops, tablets, and

[65] https://blogs.iadb.org/efectividad-desarrollo/en/channeling-remittances-to-education/
[66] https://micicinitiative.iom.int/program-3x1-migrants-1
[67] Among others: The Jamaica Diaspora Taskforce Action Network (JDTAN), The Jamaica Canada Association (JCA) and Canada Coast to Coast, The Union of Jamaica Alumni Association (UJAA), The Jamaica Awareness Association of California (JAAC), the Alliance of Jamaican High Schools Associations in Toronto and the Chicago Concerned Jamaicans (CCJ).

other equipment. Beyond supplying technology, the diaspora also contributed with human capital and expertise to enrich educational content[68].

- ***Diaspora knowledge transfer*** *in Ethiopia* is exemplified by the *EUDIF*[69] *Diaspora Professionals 4 Development* initiative, through which five Ethiopian professionals based in the EU contributed with their expertise to develop Ethiopia's first digital curriculum in agri-food business and innovation at Wollo University in Dessie. This collaboration - between Wollo University, EUDiF, and the diaspora team - focused on testing learning solutions in agri-food entrepreneurship and environmental informatics, with the goal of preparing graduates for employment in the agricultural sector.

Examples of remittance labeled products

- ***EduPay Pilot – Philippines/Italy (2012–2014).*** A pilot initiative in Rome tested *EduPay*, a remittance-linked financial product designed for Filipino migrants to support education in the Philippines[70]. Through EduPay, migrants could directly pay school tuition fees via the Bank of the Philippine Islands (BPI) branch in Rome. The experiment showed that migrants were willing to remit approximately 15% more when transfers were explicitly earmarked for education. The study found that allowing senders to label remittances for educational use had a similar impact to mechanisms that channel funds directly to schools. The EduPay service proved viable for private primary and secondary schools and for both public and private institutions at the tertiary level. Although migrants expressed interest in covering additional school-related costs (e.g. books, uniforms), such services were not always available. Furthermore, delays in school responses limited the system's effectiveness. A fully digital, web-based platform enabling real-time coordination between banks, schools, and migrants could enhance the service's efficiency and responsiveness.
- ***EduRemesa – El Salvador.*** Implemented by FEPADE and Viamericas with support from the Inter-American Development Bank[71], *EduRemesa* allowed Salvadoran migrants to support selected students (providing an ATM card) through matched contributions, following the logic of Mexico's "3x1" scheme. The program increased educational expenditures and reduced child labour, especially among girls. Households receiving the highest matching incentive (3x1) not only used the funds as intended, but also increased their own contributions, demonstrating a strong multiplier effect. This model illustrates the potential of labelled remittances to strengthen human capital investment.
- ***SympliFi – Fintech Innovation.*** SympliFi[72], a fintech company, has developed a diaspora-backed credit model allowing Nigerians in the UK and Senegalese migrants in France, Italy, and Spain to act as guarantors for loans taken by relatives in their home countries. Disbursed by microfinance institutions, these loans may be used for both income-generating activities and educational expenses. Despite implementation challenges, the model shows how diaspora engagement can move beyond traditional remittances, unlocking new forms of financing for education and livelihoods.

[68] https://jamaicans.com/education-in-the-pandemic-how-can-the-jamaica-diaspora-help/
[69] EUDIF (EU – GLOBAL DIASPORA FACILITY) /ICMPD, *Piloting digital learning on agri-food business and environmental informatics in Ethiopia,* https://diasporafordevelopment.eu/library/dp4d-info-sheet-wollo-university/
[70] https://www.nber.org/system/files/working_papers/w20839/w20839.pdf
[71] https://blogs.iadb.org/efectividad-desarrollo/en/channeling-remittances-to-education/
[72] https://simplifysynergy.com/#services

SWOT analysis: "mobilizing remittances for education, reinforcing the links with diasporas and developing proper financial instruments"

STRENGHTS	**WEAKNESS**
• Diasporas are committed to local development and ensure continuity of help overtime • Education is one of the target sectors of diaspora philanthropic and solidarity support • Individual diaspora experts and professionals can mobilize they knowledge, competences and networks into education, especially when they work in the same field abroad • Linking remittances and education purposes corresponds with the migrants' request of money ownership • Developing remittance products linked to education can overall reinforce financial inclusion of both migrants and their families in the home land	• Diaspora groups tend to preferably support their community of origin (and not other co-nationals), making it essential to map and engage migrant groups/individuals from Dire Dawa • Mobilizing individual diaspora experts to address education in the country of origin might be more adapted to tertiary education learning needs • Linking remittances to education through innovative financial products and services can meet existing feasibility challenges (legal frameworks, market interest and capability, technological readiness, financial literacy…) • Internet penetration and digital architecture outreach in rural areas are low • Payment system infrastructure (including digital payment system) in rural areas is still limited and cash payments/informal remittances tend to be still prevalent • MFIs are key to support financial inclusion, but their integration into national payments schemes for remittance delivery is still developing
OPPORTUNITIES	**THREATHS**
• Many international development agencies and programmes and Governments of origin countries are willing to support diaspora engagement, especially leveraging remittances into development • Private sector players can see education related products as instruments for customer loyalty and cross-selling services • Diaspora interest in education and social investment is increasing and can be mobilized through trusted local institutions.	• Economic and political instability in Ethiopia may limit the opportunities for diaspora engagement • Delay in institutional reforms and improvements in human development standards (access to quality education, gender equity, advancements in income self-sufficiency)

2.2.4 Evidence from fieldwork data in Dire Dawa

Based on the **fieldwork results in Dire Dawa**, evidence of ***remittance inflows*** on the **surveyed households appears less widespread than expected**, while the migration phenomenon from the area is commonly reported and largely narrated.

According to **parents of dropout children** (tot *19 persons interviewed*):

- 7/19 (37%) respondents receive remittances from outside Ethiopia while 63 don't'. 3/19 receive remittances from siblings in Ethiopia.
- 7/11 respondents declare that remittances are partly used to pay for school expenses (for instance: school uniforms, transport, books).

- Among those who receive remittances, there are no regular, but **occasional flows**. The average yearly amount received varies between more often 10/20.000 birr to a maximum of 60.000 birr.
- Among those who receive remittances, all respondents mentioned **hand carriers** bringing cash from abroad. Nobody receives remittances via mobile money, money transfer operators or financial institutions.
- 13/19 (69%) respondents do not have a bank/microfinance account. Most respondents mention the nearest presence of bank/microfinance institution in Dire Dawa city.

As highlighted from an additional the CeSPI's **study** large portions of Dire Dawa migration flows are irregular. Remittances from undocumented migrants abroad can't access formal channels. The irregular status abroad is associated to informal remittance flows. At the same time, the low access to financial services also affects the possibility to formally receive/manage remittances.

Based on the **fieldwork results**, the **impact of diaspora organizations** in supporting education appears limited as well as underexplored.

According to **local stakeholders** (tot *13 persons interviewed*):

- 7/13 (54%) have contacts with diaspora groups
- **The contribution of collective and solidarity remittances from diaspora groups is not largely visible:** 3/13 (31%) say it is not visible while 7/13 (54%) say it is partly and slightly visible
- **Nevertheless,** 10/13 (77%) declare that it would be possible to involve diaspora groups to better support education initiatives. It is suggested to: involve diasporas engaging the Government and get contacts with the Diaspora group from Dire Dawa and with the Ali Birra Foundation[73]. All respondents are aware that education needs are widespread in the territory and diaspora resources can cover only a part of the requests.

2.2.5 Framework for action

Although the role of the Ethiopian diaspora in Dire Dawa's education sector is currently limited and underexplored, experiences from other countries illustrate the promising potential of diaspora engagement, both through financial flows and knowledge transfer.

Although efforts to reach out to the Dire Dawa diaspora association during this investigation have so far been unsuccessful, the presence of such networks nonetheless offers a valuable foundation for structured engagement strategies. Building on this potential, a clear framework for action should begin with the **systematic mapping of Dire Dawa diaspora sub/groups**, including professionals interested in educational development. Beyond the tertiary level, diaspora contributions could target secondary education through *knowledge transfer* and direct student support. Collective engagement may be fostered via *matching-fund schemes* or school infrastructure projects, drawing inspiration from successful models such as Mexico's 3x1 programme.

Among the key stakeholders to be involved are: the Dire Dawa diaspora group, the Ali Birra Foundation, the Ethiopian Diaspora Agency, the Ministry of Education, the Ministry of Foreign Affairs, the Central Bank of Ethiopia, and both public and private development actors. Informants mentioned a "Nordic Professional Network" of skilled migrants based in London and other northern EU countries, engaged in revising school cv and supporting in the area of education in Ethiopia (with the Gimma University).

At the same time, the **increasing formalization of Ethiopia's remittance channels** presents an opportunity to design remittance-linked financial products that support education, such as direct

[73] https://alibirrafoundation.org/about-abf.html

school payments, conditional transfers (e.g. EduRemesa), or education-focused savings schemes embedded in digital financial platforms. These tools could be co-developed with local banks, microfinance institutions, and Money Transfer Operators (MTOs), in collaboration with Dire Dawa migrant associations. Efforts by the UNCDF Migrant Remittances Programme and digital financial services (e.g. mobile money) could be aligned to facilitate the creation of purpose-bound remittance tools. **Promoting regular and legal migration pathways** can also enhance access to formal remittance systems and their integration into tailored financial services.

The **same stakeholders identified in Case Study 1** - such as Opportunity EduFinance[74], Lion Bank, Kacha, Telebirr, and the Central Bank of Ethiopia, should be involved in developing a remittance-to-education financial value chain. This could also open collaboration with international remittance and mobile network providers, including M-Pesa, Western Union, and MoneyGram. Strategic engagement of public and private actors, along with civil society, could unlock innovative financing mechanisms for education while reinforcing transnational solidarity.

2.3 Case study 3: bridging the skills gap to prevent school dropout and early migration

***Context and rationale*: enhancing youth employability and life skills**

This case study explores the interconnected challenges of school dropout, limited employment opportunities, and migration pressure. In Ethiopia, the youth population remains largely underutilized (Geda, 2022), and youth unemployment is a critical issue, particularly for young women (ESS, 2021). The case highlights the persistent skills mismatch between the education system's outputs and labour market demands (Adem and Weldesilassie, 2024). The lack of visible local employment prospects discourages students from completing their education and increases their vulnerability to early migration.

Skill-building interventions linked to local or cross-border labour markets can serve as non-financial incentives for school retention. Enhancing youth employability and life skills can positively impact school retention, delay migration decisions until a more mature age, and equip students with the competencies needed to access both local and international labour markets. Strengthening school curricula and reinforcing these skills represent an essential investment in human capital and act as a protective factor, regardless of whether it increases youth interest in or capacity for future migration.

2.3.1 Examples of youth employability initiatives in Africa

Several initiatives have demonstrated positive results by adopting market-driven, and partner-centric approaches to tackle youth unemployment and skills deficits. A selection of possibly inspiring projects and programmes is offered below.

2.3.2 Rural Youth Vocational Training, Employment and Entrepreneurship Support Project (FIER).

The **FIER** project from IFAD[75] promotes vocational training and microenterprise development to enhance rural youth employment in agriculture in Mali. In its first phase, over 13.000 youth-led microenterprises were launched in 1.500 villages. In 2016, FIER partnered with Malian microfinance

[74] https://edufinance.org/what-we-do/

[75] https://ifad-cofinancing.org/project/rural-youth-vocational-training-employment-and-entrepreneurship-support-project-phase-ii/, (phase 1 – 2013/22 - and phase 2 – 2023/30).

institution ABC and the *Babyloan* crowdfunding platform to engage the Malian diaspora in France, encouraging remittances as repayable loans for youth businesses. However, the diaspora component was later dropped due to limited uptake (as migrants preferred supporting relatives directly rather than broader community initiatives). FIER targeted rural youth aged 15–17 and 18–40 lacking technical or financial skills. For younger beneficiaries, the focus was on life skills, role models, and social support networks to ease their transition into the workforce, involving families, schools, and communities. The project's outcomes include the creation of a local youth microenterprise network. The project is currently in its second phase.

2.3.3 Kenya Youth Employment and Opportunities Project (KYEOP)

Supported by the World Bank, **Kenya's KYEOP** [76] (Kenya Youth Employment and Opportunities Project) addresses youth skills mismatch by combining vocational training, internships, and business development grants. It partners with training institutions and local master craftsmen to deliver market-relevant, on-the-job learning. Over 310.000 youth have benefited, with 86% gaining employment or self-employment, and 86.000 youth-led businesses created through ecosystem reinforcement via access to capital, skills, and mentorship. Implemented by multiple government agencies (including the Micro and Small Enterprises Authority and the State Department for Labor) with $150 million funding, the project has evolved into the National Youth Employment and Opportunities Towards Advancement (NYOTA) programme, which also integrates savings components.

2.3.4 Agropastoral Training Programme (AFOP) in Cameroon

Launched in 2008 and co-led by the Ministries of Agriculture and Livestock, AFOP[77] trains youth in agropastoral entrepreneurship. It offers two-year certified agribusiness training across 122 centers, linking over 13.000 trainees to land, grants (1.5 million FCFA), and mentorship. Grounded in earlier agrarian reform models (1970s-80s) (that included rural vocational training offered to primary-educated youth and technical public support), the programme integrates training, finance, and land access around each youth's **"life project,"** involving families and professionals. While impactful, the programme faces challenges in terms of technical, financial, and institutional sustainability.

2.3.5 Youth Entrepreneurship Training Programmes (YETP) in Nigeria

In Nigeria, various public and civic organizations have implemented YETP to address the disconnect between academic degrees and job market realities. These programs focus on cultivating an **entrepreneurial mindset** and equipping youth with essential **business skills**, such as financial literacy, marketing, and risk management. The key lesson from these initiatives is the importance of **continuous mentorship and access to credit**, which are vital for the sustainability of start-up ventures (Taylor & Francis, 2023).

2.3.6 Priority Skills for Growth and Youth Empowerment (PSGYE) in Rwanda

PSGYE, supported by the World Bank, strengthens Rwanda's National Skills Development Strategy by focusing on **digital and green economy** skills for NEET youth. It uses **results-based financing** to incentivize employment outcomes from training providers[78]. A dedicated fund under the TVET

[76] https://www.worldbank.org/en/results/2023/10/02/creating-employment-opportunities-for-vulnerable-youth-in-kenya
[77] https://openknowledge.fao.org/server/api/core/bitstreams/95486222-b558-44b5-bf6e-8ad17ed5985b/content
[78] https://www.mineduc.gov.rw/index.php?eID=dumpFile&t=f&f=103834&token=a45eab54d54685a90e689b039bbe3f660d56d862

Board provides grants to companies and training centers to address skill gaps and deliver job-ready, market-driven technical training.

SWOT analysis: "improving employability for youth in Ethiopia"

STRENGHTS	WEAKNESS
• Ethiopia has a large and growing youth population to be addressed to economic growth • The commitment of the Ethiopian government to urgently address youth unemployment is visible • Ethiopia is amongst the African growing economies with emerging private sector/SMEs needs	• High is the youth unemployment (especially at rural level, and female gender level) and still weak is the formal economy • The education system often fails to provide the practical, technical, and soft skills needed • Youth, especially in rural and peri-urban areas, face barriers to access credit and entrepreneurial capital
OPPORTUNITIES	**THREATHS**
• Many donors, international development agencies, and NGOs actively support youth employment initiatives • The expansion of the TVET sector is under the attention of the Ethiopian Government • Digital and green economies, agri-business and climate-resilient solutions need new skills and jobs	• Economic and political instability in Ethiopia may disrupt economic activities, displace populations, and deter investment. • Irregular migration risks persist due to youth frustration and poverty • Climate related-events hinder agricultural livelihoods, pushing youth into urban areas or migration. • Educational and employment opportunities for girls are still limited by cultural/social norms

2.3.7 Evidence from fieldwork data in Dire Dawa

While all *interviewed parents* (19) in Dire Dawa stated that local primary and secondary schools offer good quality education ("yes, a lot" or "yes, enough"), *dropout students* (19) expressed more critical views, particularly concerning primary education. Their dissatisfaction was linked to both limited teacher engagement and physical barriers - such as inadequate sanitation and lack of separate toilets.

Neither stakeholders[79] nor dropout students[80] view the school system as effective in building relevant skills for the local labour market[81]. Only 3 out of 19 dropout students indicated willingness to return to school if it provided stronger job-related skills, although a majority of parents (13/19) would support reintegration under such conditions. Stakeholders emphasized that **primary and secondary schools**, unlike vocational and technical training institutions, **are not designed or equipped to prepare youth for employment**, as they follow traditional curricula.

This disconnect is compounded by the **scarcity of local job opportunities,** which directly fuels migration: "*There is no job opportunity in the area except bajaji (taxi) driver. Someone graduated two years ago but is not yet employed. Youth unemployment is a burden for the family economy and many decide to migrate."*

Most respondents agreed on the **need to reform school curricula** and include more practical and relevant skills: *technical* (74% parents and students; 93% stakeholders), *entrepreneurial* (47%; 58%;

[79] *Not at all*, 31%; *Not much*, 15%.
[80] *Not at all*, 42%; *Not much*, 16%.
[81] And only 3/13 stakeholders think the school is "somehow" capable to prepare students for the local labour market.

85%), *ICT* (37%; 53%; 77%), and *language skills* (32%; 42%; 69%). By contrast, **interest in topics such as pre-migratory preparation, agriculture, or climate change was limited.**

In terms of concrete competencies required for local employment, respondents cited ***technical and vocational skills*** for roles such as **electricians, drivers, hairdressers, chefs, mechanics, secretaries, and woodworkers.**

Finally, to strengthen school-to-work transitions in Dire Dawa, stakeholders **identified key actors** to be engaged: NGOs, relevant ministries (Labour, Women and Social Affairs, Agriculture, Health), the local education bureau, universities, TVET centres, private sector actors (e.g. cement factories), diaspora investors, and local communities, including families, students, and school personnel.

2.3.8 Framework for action

Field evidence indicates that among adolescents in Dire Dawa, especially in rural areas, formal schooling (particularly at the secondary level) is not perceived as a viable route to a decent and rewardable employment. This perception contributes to early school leaving and risky migration. International examples confirm the critical role of youth employability in making education relevant and aspirational.

Reducing school dropout and discouraging child migration in Dire Dawa requires a renewed vision of education as a path to opportunity. This framework for action advocates for a **comprehensive youth empowerment strategy** with the **integration of employability and life skills into the school curriculum**, complemented by access to **vocational training** and **entrepreneurial support**. This means building technical and digital competencies, soft skills and strengthening school-to-work transition services with an early exposure to local labour markets (internships or school–enterprise partnerships, job shadowing) and micro-entrepreneurial support. Despite all challenges, other African experiences, such as the FIER in Mali or KYEOP in Kenya, show the importance of **integrating training with access to finance, land, and community engagement.**

Programmes in Dire Dawa should target both **enrolled students and early dropouts**, with tailored tracks for girls and rural youth, whose barriers are higher. Schools, TVETs, local businesses, diaspora investors, NGOs, public and private actors and donors/development partners should coordinate around a **shared local agenda** to design a *youth employability strategy* with the objective of strengthening the **education-to-employment pipeline** and reducing the push factors behind dropout and migration.

To simultaneously **combat school dropout**, the interventions must address its root causes including: a) the possibility for conditional ***cash transfers*** (small financial incentives to families to keep children in school), b) special attention must be given to **gender-sensitive interventions**, including flexible schooling options, offering alternative arrangements for domestic work and providing community-based mentorship to challenge traditional gender norms.

In Dire Dawa, where formal employment remains scarce, close collaboration is needed with the **local private sector to develop market-driven skills and bridge the skills gap**. Similar to Rwanda's PSGYE, by engaging local businesses and industry associations, a pilot program shall a) *identify the most* ***in-demand skills***, offer apprenticeships and internships, b) partnering with schools, introducing more *contemporary and relevant* ***curricula*** that incorporate vocational and life skills (including computer and language skills), making education more appealing and practical (according to employers' needs).

Given the limited formal and rewarding job creation in Dire Dawa, a **culture of youth entrepreneurship** shall be fostered. Comprehensive start-up packages shall include: a) ***entrepreneurial training*** (addressing agro/pastoral business with more contemporary approach and tools, but also activities as hair dresser, barber shop, construction work, electrician), b) access to

micro-finance (partnering with local micro-finance institutions to provide small grants or loans, bypassing the collateral-related barriers youth often face), and c) ***mentorship*** (establishing a network of local entrepreneurs/antennas to provide guidance and support).

Conclusion and recommendations

As highlighted in other international experiences, effective school incentives are often those that combine education goals with realistic, future-oriented opportunities for students and their families. The cases analysed in this section align with literature that stresses **how financial incentives alone are insufficient unless embedded in wider ecosystems of support, including employability skills, career prospects, and household resilience strategies**. Accordingly, the three case studies illustrate that financial, social, and aspirational incentives can work in synergy to address school dropout and early migration in Dire Dawa.

The case studies aim at offering different approaches to designing incentive mechanisms in Dire Dawa. They illustrate how school incentive strategies can differently address some socio-economic and structural challenges linked to school dropout and youth migration, going beyond traditional financial transfers (which appear to be relevant, but not sufficient). Together, these approaches suggest that school retention and migration prevention policies must intersect with financial capability, economic inclusion, cultural and community awareness and response and meaningful aspirations for youth.

The main key takeaways of this analysis suggest that:

- *Financial inclusion products* must be adapted to low-income and low-literacy contexts, offering commitment savings, education-linked credit, and mobile tools. They must be designed to address not only school-related expenses but also food security, health/climate shocks, and livelihood support
- *Remittance*s offer untapped potential when linked to education goals, especially through trust-based channels, leveraging transfers of individuals and diaspora associations, and mobilizing diaspora knowledge to improve especially secondary/tertiary education.
- *Youth employability interventions,* targeting both skills and aspirations, can offer meaningful reasons to remain in school, especially if they connect to real and strengthened labour market opportunities

Based on these insights, the following recommendations emerge for players interested to take action, especially the Italian Agency for International Development Cooperation that financed this research and the Ten4All project:

1. **Adopt a multidimensional approach to incentives**, supporting interventions that combine financial tools (scholarships, school kits, conditional cash transfers) with non-financial ones (career counselling, skills development, mentorship, psychosocial support).
2. **Explore the role of diaspora and remittances** in education by facilitating mechanisms such as "education-linked remittance products," leveraging trusted local actors and fintech innovation, mobilizing remittances and social investments through matching schemes or local funds and empowering diaspora by improving dialogue and awareness on the link between remittances-and-education.
3. **Support the integration of financial inclusion instruments** such as microcredit and savings schemes tailored to school-related needs, especially for low-income and migrant families, and
    - **Invest in integrated pilot programs** combining education incentives with savings, credit, and financial literacy for families and youth in Dire Dawa

4. **Strengthen collaboration with local educational and financial institutions (especially central banks and regulatory authorities)**, ensuring that school incentive mechanisms are embedded in sustainable structures.
5. **Prioritise employability-enhancing curricula** in upper primary and secondary education, including soft skills, entrepreneurship, and vocational guidance.
6. **Support the alignment between education and local/international labour markets**, investing in technical and vocational education that responds to regional economic trends and youth aspirations.
    - **Promote partnerships** between TVET institutions, local employers, and schools to align curricula with labour market needs and facilitate school-to-work transitions
7. **Invest in locally grounded research and experimentation**, to test which combinations of incentives work best in specific areas, drawing lessons that can be scaled up or transferred.
8. **Use pilot results to inform national dialogue** with Ethiopian ministries on financial inclusion and youth policies as tools to reduce school dropout.
9. **Ensure policy dialogue and institutional capacity building**, fostering coordination and ownership among local authorities, financial institutions, civic society, schools, and communities in co-designing and shaping inclusive education incentive models that are context-sensitive and sustainable.

Annex tables: fieldwork interview respondents' analysis

Has the school the capacity to develop skills/competences for the local labour market?

	Frequency	%		Frequency	%
Not at all	8	42.11	I do not know	4	30.77
I do not know	5	26.32	Not at all	4	30.77
Not much	3	15.79	Yes, somehow	3	23.08
Yes, somehow	2	10.53	Not much	2	15.38
Yes, a lot	1	5.26			
Total **dropout students'** answers 19			Total **stakeholders'** answers 13		

Would you consider going back to school if this could give you more skills and competences to find a local job*?*

	Frequency	%
Not at all	5	26.32
I do not know	4	21.05
Not much	4	21.05
Yes, a lot	3	15.79

Total dropout **students** 19

Would you consider sending back the kids to school if this could give them more skills and competences to find a local job?

	Frequency	%
Yes, a lot	13	68.42
Yes, maybe	3	15.79
I do not know	2	10.53
Not much	1	5.26

Total **parents** 19

What subjects could be reinforced or included in school to make it more interesting for families/students?								
Parents	Frequency	Percentage	***Dropout students***	Frequency	Percentage	***Local stakeholders***	Frequency	Percentage
Technical competences (vocational training)	14	73.68	Technical competences	14	73.68	Technical competences	12	92.31
Entrepreneurial training	9	47.37	Entrepreneurial training	11	57.89	Entrepreneurial training	11	84.62
Computer training	7	36.84	Computer training	10	52.63	Computer training	10	76.92
Language skills	6	31.58	Language skills	8	42.11	Language skills	9	69.23
Pre-migratory preparation	6	31.58	Agriculture related training	3	15.79	Agriculture related training	6	46.15
Agriculture related training	3	15.79	Pre-migratory preparation	2	10.53	Pre-migratory preparation	4	30.77
Climate change related issues	1	5.26	Climate change related issues	1	5.26	Climate change related issues	3	23.08
Total parents' answers 19			No need to change, it is already good	1	5.26	Other	3	23.08
			Other	1	5.26			
Total **parents** 19			Total **dropout students** 19			Total **stakeholders** 13		

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